



GALENA MINING LIMITED

ABN 63 616 317 778

& Controlled Entities

Annual Report

For the year ended 30 June 2019

Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

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Galena Mining Limited and Controlled Entity

ABN 63 616 317 778

CORPORATE DIRECTORY

Directors	Mr Adrian Byass Non-Executive Chairman
	Mr Alexander Molyneux Managing Director/Chief Executive Officer
	Mr Jonathan Downes Non-Executive Director
	Mr Timothy Morrison Non-Executive Director
	Mr Anthony James Non-Executive Director
Company Secretary	Mr Stephen Brockhurst
Registered Office	Level 11, 216 St Georges Terrace Perth WA 6000
Corporate Office	Ground Floor, 1 Centro Avenue Subiaco, WA 6008
Postal Address	GPO Box 2517 Perth WA 6831
Web Site	www.galenamining.com.au
Share Registry	Security Transfer Australia Pty Ltd 770 Canning Highway Applecross WA 6153
Auditors	PKF Perth Level 4, 35 Havelock Street West Perth WA 6005
Legal Advisors	King & Wood Mallesons Level 30, QV1 Building, 250 St Georges Terrace Perth WA 6000
Stock Exchange Listing	ASX Code: G1A
Country of Incorporation and Domicile	Australia

Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

DIRECTORS' REPORT

Your directors present the following report on Galena Mining Limited and its controlled entities ("Galena", the "Company" or "Group") for the year ended 30 June 2019.

DIRECTORS

The names of directors in office at any time during or since the end of the financial year are:

Adrian Byass	Non-Executive Chairman
Alexander Molyneux	Managing Director / Chief Executive Officer (appointed 1 September 2018)
Johnathan Downes	Non-Executive Director
Timothy Morrison	Non-Executive Director
Anthony James	Non-Executive Director (appointed 15 October 2018)
Oliver Cairns	Non-Executive Director (resigned 15 October 2018)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

Stephen Brockhurst held office as Company Secretary since the start of the financial year until the date of this report.

PRINCIPAL ACTIVITIES

Since listing on the ASX on 7 September 2017 the Company has continued to focus on exploration and pre-development works at the Abra Base Metals Project, together with early stage exploration works at other mineral prospects within the Group's portfolio.

OPERATING RESULTS

The loss of the Group for the financial year ended 30 June 2019 amounted to \$2,420,609 (2018: \$1,867,985).

A detailed operating review of the Group is set out on pages 17 to 22 of this report under the section entitled 'Review of Operations'.

FINANCIAL POSITION

As at 30 June 2019 the Group had a cash balance of \$27,977,417 (2018: \$8,526,198) and a net asset position of \$44,640,910 (2018: \$16,190,212).

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial year ended 30 June 2019.

CORPORATE GOVERNANCE STATEMENT

The Company has disclosed its corporate governance statement on the Company website at www.galenamining.com.au.

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DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or in the financial report.

CORPORATE

As at the date of this report, the following shares and options were on issue.

Ordinary Shares	No.
Fully Paid Ordinary Shares	375,622,853
Options	
6 cents expiring on 30 June 2020	6,750,000
30 cents expiring 6 February 2021	5,000,000
8 cents expiring on 30 June 2021	12,900,000
50 cents expiring on 26 March 2023	1,250,000
60 cents expiring on 26 March 2023	1,250,000
50 cents expiring on 17 April 2023	1,250,000
60 cents expiring on 17 April 2023	1,250,000
Performance Rights	
Performance rights expiring on 9 November 2023	13,000,000
Performance rights expiring on 12 August 2024	2,000,000
Share Appreciation Rights	
17 cents expiring on 21 January 2024	1,260,000

EVENTS AFTER THE REPORTING PERIOD

- On 3 July 2019, the Company announced that its subsidiary Abra Mining Pty Limited ("**AMPL**") had received all of the major approvals required for construction, mining and production at the Abra Base Metals Project.
- On 22 July 2019, the Company released a definitive/bankable feasibility study ("**FS**") for its Abra Base Metals Project.
- On 2 August 2019, the Company announced that its subsidiary, AMPL, received a cash investment tranche of \$10M from Toho Zinc Co., Ltd ("**Toho**") and issued additional shares to Toho's wholly-owned subsidiary CBH Western Australia Pty Ltd ("**CBHWA**") in accordance with the Investment Agreement such that Toho (via CBHWA) now owns 13.33% of AMPL, with Galena currently retaining the remaining 86.67%.
- On 13 August 2019, the Company issued 2,000,000 performance rights as part of the remuneration package for the Chief Financial Officer, Mr Barnes, which will convert into shares upon the achievement of various milestones expiring on 12 August 2024.
- On 14 August 2019, the Company successfully concluded the development drilling program for the Abra Base Metals Project with a total of 43 diamond core drill-holes (18,255 metres) completed between April and August 2019. New drilling represents a more than 30% increase in total drilling associated with the project.
- On 6 September 2019, the Company converted 1,000,000 performance rights to fully paid ordinary shares. The relevant tranche of performance rights is part of the remuneration package for the Managing Director/Chief Executive Officer, Mr Molyneux, and vested on 1 September 2019.
- On 9 September 2019, Warburton Portfolio Pty Ltd acquired 30,400,000 fully paid shares in the Company via an off-market purchase from certain individual holders, including entities associated with three of the Company's directors: Mr Byass, Mr Downes and Mr Morrison. In addition, Mr Byass and Mr Downes exercised in aggregate 10,100,000 options in order to maintain their overall pro-rata shareholding levels in the Company.

Galena Mining Limited and Controlled Entities

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DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD *(continued)*

No other matter or circumstance has arisen since the end of the audited period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

INFORMATION ON DIRECTORS

The names of directors who held office during or since the end of the financial year until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Adrian Byass, BSc Geol Hons, B Econ, FSEG and MAIG Non-Executive Chairman

Mr Byass has over 20 years' experience in the mining and minerals industry. This experience has principally been gained through evaluation and development of mining projects for a range of base, precious and specialty metals and bulk commodities. Due to his experience in resource estimation and professional association membership, Mr Byass is a competent person for reporting to the ASX for certain minerals. Mr Byass has also gained experience in corporate finance, capital raising, permitting and delivery of production-ready mining projects.

Mr Byass is a non-executive director of Infinity Lithium Corporation and is a non-executive director of Ferto Limited.

Interest in Shares and Options

- 11,100,000 fully paid ordinary shares
- 2,450,000 options exercisable at \$0.08 on 30/06/2021

Alexander Molyneux, B Econ Managing Director/Chief Executive Officer

Mr Molyneux is a metals and mining industry executive and financier with 20-years industry experience. He joined Galena Mining on 1 September 2018.

Prior to Galena Mining, Mr Molyneux was CEO of Paladin Energy Limited (ASX: PDN) (2015 – 2018) one of the world's largest uranium companies, where he optimized its operating business and completed a US\$700M successful recapitalisation of the company and a re-listing on the ASX. Prior to that, Mr Molyneux spent approximately five-years with Ivanhoe Mines Group and Ivanhoe Energy in various leadership capacities including as CEO and Director of SouthGobi Resources Ltd. (TSX: SGQ) (2009 – 2012).

Mr Molyneux currently serves on a number of public company boards, including: Argosy Minerals Ltd. (ASX: AGY), Metalla Royalty & Streaming Ltd. (TSX-V: MTA), Tempus Resources Ltd. (ASX: TMR), Azarga Metals Corp. (TSX-V: AZR) and Comet Resources Ltd. (ASX: CRL).

Prior to his mining industry executive and director roles, Mr Molyneux was Managing Director, Head of Metals and Mining Investment Banking, Asia Pacific for Citigroup. As a specialist resources investment banker, he spent approximately 10-years providing investment banking services to natural resources companies. Mr Molyneux holds a Bachelor Degree in Economics from Monash University.

Interest in Shares and Options

- 3,500,000 fully paid ordinary shares
- 13,000,000 contingent performance rights which will convert into shares upon the achievement of various milestones

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DIRECTORS' REPORT

INFORMATION ON DIRECTORS *(continued)*

Jonathan Downes, BSc Geol, MAIG

Non-Executive Director

Mr Downes has over 20 years' experience in the minerals industry and has worked in various geological and corporate capacities. Experienced with nickel, gold and base metals, he has also been intimately involved with the exploration process through to production.

Mr Downes is on the board of several ASX-listed companies; he is currently the managing director of Ironbark Zinc Limited and is a non-executive director of Corazon Mining Limited.

Interest in Shares and Options

- 13,162,950 fully paid ordinary shares
- 2,450,000 options exercisable at \$0.08 on 30/06/2021

Timothy Morrison, B Econ, MBA

Non-Executive Director

Mr Morrison co-founded Empire Equity Limited a Merchant Banking and Corporate Advisory firm in 2008. Mr Morrison has extensive capital raising and management experience across multiple sectors and has worked as CEO, Executive and non-executive director for a number of ASX listed companies. Previously Mr Morrison worked with Westscheme Superannuation to establish and manage a Private Equity Fund targeting early stage venture opportunities. Mr Morrison has an MBA from the University of Western Australia.

Interest in Shares and Options

- 66,250,000 fully paid ordinary shares held by Bloomgold Resources Pty Ltd, a company of which Mr. Morrison is a director

Anthony James, BEng (Min) AWASM, FAusIMM

Non-Executive Director (appointed 15 October 2018)

Mr James has over 30 years' mine operating and project development experience predominantly in WA. Mr James also has previous experience at Managing Director level of three ASX listed companies with two of those companies successfully guided through a merger and takeover process to the benefit of the shareholders. He has strong feasibility study background leading into successful project development and operating results (examples are Pillara Zinc/Lead project, Trident/Higginsville Gold project and Kanowna Belle Gold mine).

Mr James is currently consulting and holds non-executive director positions on two ASX gold companies.

Interest in Shares and Options

- 115,000 fully paid ordinary shares

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DIRECTORS' REPORT

INFORMATION ON OTHER MANAGEMENT

Troy Flannery BEng(Min), MAppFin, FCMMC **Chief Executive Officer of AMPL**

Mr Flannery is a Mining Engineer with over 20 years' experience in the mining industry including 5 years in corporate and 16 years in senior mining engineering / project development roles. Mr Flannery has worked at numerous mining companies, mining consultancies & contractors (including BHP, Newcrest, Xstrata, St Barbara Mines & AMC Consultants). More recently, as the Hanking Gold Group Technical Services Manager, he was part of the corporate team that sold SXO for A\$330M to Minjar Gold in April 2017. SXO was acquired as a care and maintenance project for A\$23M in 2013 from St Barbara Mines.

Craig Barnes B Com, B Acc (Hons), CA **Chief Financial Officer (appointed 12 August 2019)**

Mr Barnes is a chartered accountant with more than 20 years of experience in senior finance and financial management within the mining industry and previously the financial services industry. Mr Barnes has considerable experience in project financing, mergers and acquisitions and implementation of accounting controls and systems.

Before joining Galena, Mr Barnes held the position of Chief Financial Officer of Paladin Energy Limited since July 2014. Prior to that, he was the Chief Financial Officer of DRDGOLD Limited and its affiliated subsidiaries for more than 7 years.

Edward Turner B App Sc (Geol), MAIG **General Manager Geology and Exploration**

Mr Turner has 30 years' experience as a Geologist in Europe, South America, Africa and Australia. His roles have covered exploration and development of base, precious and specialty metals for leading mining companies. Mr Turner has extensive experience in the economic studies of base-metal deposits in open-pit and underground scenarios and related mining experience.

Mr Turner is the former Exploration Manager for Abra from 2008 to 2011. The Directors consider that Mr Turner brings a wealth of experience in relation to the Abra Deposit, its exploration history and the ability to efficiently advance the Project. Effective 1 September 2018, Mr Turner was appointed as the General Manager of Geology and Exploration.

Stephen Brockhurst BComm **Company Secretary**

Mr Brockhurst has 15 years' experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed companies. He is currently a Director of Estrella Resources Limited and Kingwest Resources Limited and Company Secretary of Jacka Resources Limited, Bowen Coking Coal Limited and Nelson Resources Limited. He was also previously a Director of Roto-Gro Limited (resigned 5 February 2018).

Galena Mining Limited and Controlled Entities

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The remuneration report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for key management personnel (KMP) who are defined as those persons having the authority and responsibility for planning and directing the major activities of the Company, directly and indirectly, including any director (whether executive or otherwise).

Remuneration Philosophy

The performance of the Company depends on the quality of the Company's Directors, executives and employees and therefore the Company must attract, motivate and retain appropriately qualified industry personnel.

Remuneration policy

Remuneration levels for the executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and the individual's experience and qualifications.

During the year, the Company did not have a separately established remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for the executive and non-executive Directors.

The remuneration of Executive and Non-Executive Directors is not dependent on the satisfaction of performance conditions. Remuneration and share based payments are issued to align Directors' interest with that of shareholders.

Non-Executive Directors Remuneration

All Non-Executive Directors are entitled to receive \$50,000 per annum (inclusive of statutory superannuation) for their roles as Directors of the Company.

The Company's Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting. Before a determination is made by the Company in a general meeting, the aggregate sum of fees payable by the Company to the Non-Executive Directors is a maximum of \$500,000 per annum. Summary details of remuneration of the Non-Executive Directors are provided in the table below. The remuneration is not dependent on the satisfaction of a performance condition.

Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. A Director may also be paid additional amounts as fees or as the Directors determine where a Director performs extra services or makes any special exertions, which in the option of the Directors are outside the scope of the ordinary duties of a Director.

Other Executives Remuneration

Mr Alexander Molyneux

Managing Director and Chief Executive Officer (appointed 1 September 2018)

Mr Molyneux's engagement terms are governed by a Director Appointment Letter and a Consultant Appointment Letter. The consultant engagement can be terminated by either party providing three (3) months written notice. Mr Molyneux is entitled to receive Director and Consulting Fees of US\$20,000 per month. Mr Molyneux is also entitled to receive 16,500,000 performance rights, which will convert into shares upon the achievement of various milestones expiring on 9 November 2023.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Mr Troy Flannery

Chief Executive Officer of AMPL (appointed 7 February 2018)

Mr Flannery's employment conditions are governed by an Executive Employment Agreement. The terms of agreement can be terminated by either party providing three (3) months written notice. Mr Flannery was entitled to receive \$180,000 per annum (exclusive of statutory superannuation). On 1 October 2018, Mr Flannery is entitled to receive \$230,000 per annum (exclusive of statutory superannuation). Mr Flannery is also entitled to receive 5,000,000 options exercisable at \$0.30 (on a post 1:5 share split basis) expiring on 6 February 2021, these options were issued on 7 February 2018.

Mr Flannery is also entitled to receive a bonus on the delivery of a positive Pre-Feasibility Study on the Abra deposit delivered on time and on budget as defined in the Executive Employment Agreement. The bonus is payable upon the adoption of and ASX release of completion of the Pre-feasibility Study with a positive NPV and IRR, or determination of the Board to engage in a Feasibility Study on the Project based on the Pre-feasibility Study. The bonus amount is either \$75,000 cash or \$82,500 in shares based on a 14-day VWAP, at the election of Mr Flannery. The performance condition for the bonus was satisfied during the 2019 financial year and Mr Flannery received 458,333 fully paid ordinary shares in the Company at a VWAP per share of \$0.18.

Mr Edward Turner

General Manager Geology and Exploration

Mr Turner's employment conditions are governed by an Executive Employment Agreement. The terms of agreement can be terminated by providing three (3) months written notice in case of the Company. Where the Company terminates the agreement, the Company will pay an amount equal to the remuneration equivalent of the balance of the notice period. Mr Turner was entitled to receive \$83,200 per annum (exclusive of statutory superannuation) for the equivalent of a 2-day per week roster or part thereof and an additional \$800 per day, commencing upon the official admission of the Company to the ASX, as per executive employment agreement dated 30 March 2017. On 12 April 2018, Mr Turner's contract conditions changed from part time to full time with Mr Turner being entitled to received \$208,000 per annum (exclusive of statutory superannuation). Mr Turner is also entitled to receive a bonus being the greater of a \$50,000 or the equivalent value of 500,000 fully paid ordinary shares (post 1:5 share split) in the Company based on a 5 day VWAP prior to the ASX release of a JORC Resource for the delivery of a 14Mt at 8% Pb JORC (Resource) within 2 years of Company listing on ASX. The performance condition for the bonus was satisfied during the 2018 financial year and Mr Turner received 500,000 fully paid ordinary shares in the Company at a VWAP per share of \$0.22594.

Under the employment agreement and on the date on which the Company is reasonably satisfied that it is in a position to satisfy the conditions for admission to the official list of ASX, Mr Turner is entitled to receive 1,250,000 options exercisable at \$0.06 (on a post 1:5 share split basis) expiring on 30 June 2020, these options were issued during the 2017 financial year. Additionally, under the employment agreement, Mr Turner is entitled to receive 1,250,000 options exercisable at \$0.08 (on a post 1:5 share split basis) expiring on 30 June 2021, these options were issued during the 2018 financial year.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Details of remuneration for the year ended 30 June 2019

The remuneration for each key management personnel of the Company during the year was as follows:

	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Equity-settled share based Payments		Total	Share Based Payments as a percentage of Remuneration	Performance Related
	Cash fees and salary	Super-annuation	Other	Equity (v)	Options/ Rights (vi)		%	%
	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors								
Adrian Byass (i)	75,000	-	-	-	-	75,000	-	-
Jonathan Downes	45,662	4,338	-	-	-	50,000	-	-
Oliver Cairns(ii)	16,667	-	-	-	-	16,667	-	-
Timothy Morrison	50,000	-	-	-	-	50,000	-	-
Anthony James(iii)	69,875	2,169	-	-	-	72,044	-	-
Sub-Total	257,204	6,507	-	-	-	263,711		
Executive Director								
Alexander Molyneux(iv)	282,741	-	-	-	655,076	937,817	69.85	-
Sub-Total	282,741	-	-	-	655,076	937,817		
Other Key Management Personnel								
Edward Turner	208,000	19,760	-	-	19,140	246,900	7.75	-
Troy Flannery	217,500	20,662	-	82,500	34,800	355,462	33.00	23.21
Sub-Total	425,500	40,422	-	82,500	53,940	602,362		
TOTAL	965,445	46,929	-	82,500	709,016	1,803,890		

(i) Mr Byass' remuneration includes a bonus of \$25,000.

(ii) Mr Cairns resigned as Director on 15 October 2018.

(iii) Mr James was appointed as Director on 15 October 2018. Mr James' remuneration includes fees for additional services provided for the Abra Base Metals Project FS.

(iv) Mr Molyneux was appointed as Managing Director/Chief Operating Officer on 1 September 2018.

(v) Value of shares represents the Fair Value at grant date.

(vi) Value of options were calculated using Black-Scholes Model.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Details of remuneration for the year ended 30 June 2018

The remuneration for each key management personnel of the Company during the year was as follows:

	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Equity-settled share based Payments		Total	Share Based Payments as a percentage of Remuneration	Performance Related
	Cash fees and salary	Super-annuation	Other	Equity (iii)	Options/ Rights (iv)		%	%
	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors								
Adrian Byass	37,291	3,542	-	-	-	40,833	-	-
Jonathan Downes	37,291	3,542	-	-	-	40,833	-	-
Oliver Cairns	37,291	3,542	-	-	-	40,833	-	-
Timothy Morrison(i)	37,291	3,542	-	-	-	40,833	-	-
Sub-Total	149,164	14,168	-	-	-	163,332		
Other Key Management Personnel								
Edward Turner	157,736	14,985	-	112,970	28,250	313,941	44.98	35.98
Troy Flannery(ii)	60,000	5,700	-	-	348,000	413,700	84.12	-
Sub-Total	217,736	20,685	-	112,970	376,250	727,641		
TOTAL	366,900	34,853	-	112,970	376,250	890,973		

(i) Mr Morrison was appointed as Director on 12 July 2017.

(ii) Mr Flannery was appointed as COO on 7 February 2018.

(iii) Value of shares represents the Fair Value at grant date.

(iv) Value of options were calculated using Black-Scholes Model.

Other transactions with Key Management Personnel for the year ended 30 June 2018

-Bloomgold Resources Pty Ltd, a company of which Mr Morrison is a director, and Silverlight Holdings Pty Ltd, a company of which Mr Cairns is a director, were issued total of 87,500,000 shares (post 1:5 share split) for the consideration value of \$3,500,000 Galena's acquisition of Abra Mining Pty Ltd.

-EJ Turner Consulting, a company of which the CEO, Mr Edward Turner is a director, received \$26,560 for Geological Services for work performed on Abra Project.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Options and Rights Over Equity Instruments Granted as Compensation (all quoted shares and options are on post share split basis of 5 for 1)

Details of options and rights over ordinary shares in the Company that were granted as compensation to each key management person during the 2018 and 2019 financial period and details of options that have vested are as follows:

Director/Key Management Personnel	Number Granted	Grant Date	Fair Value	Exercise Price	Expiry Date	Number Vested
Edward Turner	1,250,000	30/08/2017	\$0.0226	\$0.08	30/06/2021	1,250,000
Troy Flannery	5,000,000	07/02/2018	\$0.0696	\$0.30	06/02/2021	5,000,000
Alexander Molyneux	16,500,000	09/11/2018	\$0.0846	Nil	09/11/2023	2,500,000
Edward Turner	165,000	13/02/2019	\$0.1095	\$0.17	21/01/2024	Nil
Troy Flannery	300,000	13/02/2019	\$0.1095	\$0.17	21/01/2024	Nil

KMP Shareholdings

The number of ordinary shares in Galena Mining Limited held by each KMP of the Company during the financial period is as follows:

30 June 2019

	Balance at beginning of period	Granted as remuneration during the period	Issued on exercise of options during the period	Other changes during the period	Balance at end of period
Adrian Byass	11,100,000	-	-	-	11,100,000
Jonathan Downes	13,162,950	-	-	-	13,162,950
Oliver Cairns (i)	10,410,000	-	-	(10,410,000)	-
Timothy Morrison (ii)	82,250,000	-	-	-	82,250,000
Alexander Molyneux	-	-	2,500,000	-	2,500,000
Anthony James	-	-	-	115,000	115,000
Edward Turner	500,000	-	-	(200,000)	300,000
Troy Flannery (iii)	240,000	458,333	-	-	698,333
	117,622,950	458,333	2,500,000	(10,495,000)	110,126,283

(i) Mr Oliver Cairns resigned 15 October 2018

(ii) Mr Morrison was appointed on 12 July 2017. This holding represents that of Bloomgold Resources Pty Ltd of which Mr Morrison is a director.

(iii) Mr Flannery was appointed on 7 February 2018.

Galena Mining Limited and Controlled Entities

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

KMP Options Holdings

The number of options over ordinary shares held during the year by each KMP of the Company is as follows:

30 June 2019

	Balance at beginning of period	Granted during the period	Exercised during the period	Other changes during the period	Balance at end of period	Vested during the period	Vested and exercisable	Vested and unexercisable
Adrian Byass	7,500,000	-	-	-	7,500,000	-	7,500,000	-
Jonathan Downes	7,500,000	-	-	-	7,500,000	-	7,500,000	-
Oliver Cairns (i)	7,500,000	-	-	(7,500,000)	-	-	-	-
Edward Turner	2,500,000	-	-	-	2,500,000	-	2,500,000	-
Troy Flannery	5,000,000	-	-	-	5,000,000	-	5,000,000	-
	30,000,000	-	-	(7,500,000)	22,500,000	-	22,500,000	-

(i) Mr Oliver Cairns resigned 15 October 2018

KMP Share Appreciation Rights Holdings

The number of share appreciation rights held during the year by each KMP of the Company is as follows:

30 June 2019

	Balance at beginning of period	Granted during the period	Exercised during the period	Other changes during the period	Balance at end of period	Vested during the period	Vested and exercisable	Vested and unexercisable
Edward Turner	-	165,000	-	-	165,000	-	-	-
Troy Flannery	-	300,000	-	-	300,000	-	-	-
	-	465,000	-	-	465,000	-	-	-

KMP Performance Rights Holdings

The number of performance rights held during the year by each KMP of the Company is as follows:

30 June 2019

	Balance at beginning of period	Granted during the period	Exercised during the period	Other changes during the period	Balance at end of period	Vested during the period	Vested and exercisable	Vested and unexercisable
Alexander Molyneux	-	16,500,000	(2,500,000)	-	14,000,000	2,500,000	-	-
	-	16,500,000	(2,500,000)	-	14,000,000	2,500,000	-	-

End of Remuneration Report

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DIRECTORS' REPORT

MEETING OF DIRECTORS

During the period, 13 director's meetings were held. Attendance by each director during the period were as follows:

	Director's Meetings	
	Number eligible to attend	Director's meetings attended
Mr Adrian Byass	13	13
Mr Jonathan Downes	13	12
Mr Oliver Cairns	3	3
Mr Timothy Morrison	13	9
Mr Alexander Molyneux	11	11
Mr Anthony James	10	8

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed in this report, about likely developments in the operations of the Company and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL ISSUES

The operations and proposed activities of the Group are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Group's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. In this regard, the Department of Minerals and Petroleum of Western Australia from time to time, review the environmental bonds that are placed on permits. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Group.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they be may be held personally liable, except when there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Galena Mining Limited and Controlled Entities

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DIRECTORS' REPORT

INDEMNITY AND INSURANCE OF AUDITORS

The Company has not, during the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

NON-AUDIT SERVICES

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The following fees were paid out to PKF Perth for non-audit services provided during the year ended 30 June 2019:

-Taxation compliance services	<u>\$2,950</u>
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Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, PKF Perth, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 16 and forms part of this Directors' Report for the year ending 30 June 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Adrian Byass
Chairman

Dated this 25th day of September 2019

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF GALENA MINING LIMITED

In relation to our audit of the financial report of Galena Mining Limited for the year ended 30 June 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

Simon Fermanis

SIMON FERMANIS
PARTNER

25 SEPTEMBER 2019
WEST PERTH,
WESTERN AUSTRALIA

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Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

For the financial year, the Company's focus remained the continued development of its Abra Base Metals Project ("Abra" or the "Project"), which is a globally significant lead-silver project located in the Gascoyne region of Western Australia (between the towns of Newman and Meekatharra, approximately 110 kilometres from Sandfire's DeGrussa Project).

Other than Abra, Galena holds a strategic package of exploration licences over the Jilawarra sub-basin that extends over approximately 20-80 kilometres west of Abra ("Jilawarra Prospects") and continues to undertake exploration there.

ABRA BASE METALS PROJECT

Abra comprises a granted Mining Lease, M52/0776 and is surrounded by the Exploration Licence E52/1455, together with several co-located General Purpose and Miscellaneous Leases. The Project is 100% owned by AMPL, which as at 30 June 2019 was 91.11% owned by Galena, with the remainder owned by Toho (pursuant to an Investment Agreement and Shareholders Agreement with Toho). Subsequent to the end of the financial year, Toho invested a further \$10 million into AMPL in accordance with the Investment Agreement thereby diluting Galena to 86.67%.

Abra is well located with the availability of key infrastructure and close access to water, public roads, existing mining operations and the towns of Meekatharra and Newman. Lead-silver concentrate will be transported by road to the port of Geraldton (or potentially Port Hedland) in the mid-west of Western Australia.

Excellent pre-feasibility study ("PFS")

Galena completed and announced a PFS for Abra (see Galena ASX announcement of 25 September 2018), with the outcomes considered excellent.

The PFS envisaged a 1.2 million tonne per annum (Mtpa) throughput rate over an initial approximately 14-year life, targeting high-grade lead-silver mineralisation ranging between 6.7-10.8% lead and 14.4-43.0g/t silver over the life of mine ("LOM"). The PFS combines an underground mining operation with a processing plant employing conventional milling and flotation. The production rate was selected after analysing different ore grades against practical underground mining rates and optimising the Project's future infrastructure, which is based on different capital cost and grade optimisation scenarios. The PFS was superseded by the definitive/bankable feasibility study ("FS") announced shortly after the end of the financial year.

FS

On 11 October 2018, FS works for Abra were formally commenced with the appointment of leading Australian engineering consulting and contracting company GR Engineering Services Limited ("**GR Engineering**") (ASX: GNG) to undertake key portions of the FS related to plant design, capital cost and operating cost estimation, process and non-process infrastructure evaluation. During the past eleven years GR Engineering has completed more than 40 design and construction projects and over 160 feasibility studies including several 'flagship' Australian base metals projects.

The FS works continued during the financial year and outstanding results were announced subsequent to the year-end (see Galena ASX announcement of 22 July 2019).

The FS envisages the same overall development concept of the PFS involving development of an underground mine and conventional flotation concentration processing facility with a 16-year life producing a high-value, high-grade lead-silver concentrate containing approximately 95kt of lead and 805koz of silver per year after ramp-up. Based on a pre-development capital expenditure estimate of A\$170 million, the FS modelled a pre-tax net present value for Abra (at an 8% discount rate) of A\$553 million and an internal rate of return of 39%.

Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

Updated Mineral Resource and Ore Reserve

Concurrent with the announcement of the PFS in September 2018, the Company announced its 'maiden' Ore Reserve. However, extensive drilling was ongoing at that time culminating in the 18 December 2018 announcement of completion of an updated JORC Code compliant Mineral Resource estimate ("**December 2018 Resource**") for Abra, which was independently prepared by Optiro Pty Ltd ("**Optiro**"). In addition, Galena prepared an updated JORC Code compliant Ore Reserve estimate ("**December 2018 Reserve**").

Current Mineral Resources and Ore Reserves for the Project are set out below.

Abra JORC Mineral Resource estimate^{1,2}

Resource classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Measured	-	-	-
Indicated	15.0	8.7	22
Inferred	22.4	6.7	15
Total	37.4	7.5	18

Notes: 1. See Galena ASX announcement of 18 December 2018. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena's ASX announcement of 18 December 2018 and confirms that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed. 2. Calculated using ordinary kriging method and a 5.0% lead cut-off grade. Tonnages are rounded to the nearest 100,000t, lead grades to one decimal place and silver to the nearest gram. Rounding errors may occur when using the above figures.

Abra JORC Ore Reserve statement^{1,2}

Reserve classification	Tonnes (Mt)	Lead grade (%)	Silver grade (g/t)
Proved	-	-	-
Probable	10.3	8.8	24
Total	10.3	8.8	24

Notes: 1. See Galena ASX announcement of 18 December 2018. Galena confirms that it not aware of any new information or data that materially affects the information included in Galena's ASX announcement of 18 December 2018 and confirms that all material assumptions and technical parameters underpinning the ore reserve estimates continue to apply and have not materially changed. 2. Tonnages are rounded to the nearest 100,000t, lead grades to one decimal place and silver to the nearest gram. Rounding errors may occur when using the above figures.

Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

Project development drilling

On 22 March 2019, Galena announced commencement of initial project development drilling program at Abra. The Company then increased the scope of the project development drilling program to target drilling approximately 18,000 new cumulative metres of diamond core drill-holes at Abra adding approximately 30% new data to the Project's total drilling database.

One of the main benefits of the initial project development drilling program is to increase drilling density (25m x 25m or better) over key areas of the first three years production horizons and subsequently de-risk the mine plan as early as possible. The program will generally aim to increase confidence within areas of the Abra Resource already categorized as Indicated and Inferred.

By the end of the financial year, 27 drill-holes had been completed for 12,190 cumulative linear metres (i.e. approximately 68% of the program). Assays for the six holes (AB103-AB108) were publicly announced on 5 June 2019 (see Galena ASX announcement), including the following significant intersections:

- 23.1m at 16.7% lead and 82g/t silver (including 3.5m at 51.4% lead and 95g/t silver) in hole AB107
- 19.3m at 13.4% lead and 50g/t silver in hole AB103
- 11.0m at 8.8% lead and 21g/t silver in hole AB104

Competent Persons' Statement

The information in this report related to the Abra Ore Reserve estimate is based on work completed by Mr Roger Bryant, BEng (Mining, Member AUSIMM). Mr Bryant is an employee of Galena Mining Ltd. Mr Bryant has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Bryant consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report related to the December 2018 Resource estimate is based on work completed by Mr Don Maclean MSc (Geol), MAIG and RP Geo (Exploration and Mining), MSEG, a consultant to Galena Mining and Mr Mark Drabble B.App.Sci. (Geology), MAIG, MAusIMM, Principal Consultant at Optiro Pty Ltd. Mr Maclean was responsible for data review, QAQC, and development of the geological model. Mr Drabble was responsible for resource estimation, classification and reporting. Mr Maclean and Mr Drabble have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Maclean and Mr Drabble consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to exploration results and drilling data is based upon information compiled by Mr Don Maclean MSc (Geol), MAIG and RP Geo (Exploration and Mining), MSEG, a consultant to Galena Mining. Mr Maclean has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Maclean consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

Initial project development activities

During the financial year, initial Abra development activities were commenced.

Three production water bores were drilled during the project development drilling program and those holes are expected to provide enough water for project construction and commissioning (discussed further in the Company's FS disclosure – see Galena ASX Announcement of 22 July 2019).

An initial camp consisting of 80 accommodation units, the full-scale kitchen and mess hall and certain ancillaries were purchased from a permanent modular construction manufacturer. The facilities were ordered to meet the initial deployment of the construction workforce to Abra and to form the basis of the main long-term camp such that additional accommodation units will be added over time to eventually have the capacity to house the full workforce required for steady-state commercial operations. The facilities ordered are expected to be available ex-works during the first quarter of the financial year to 30 June 2020.

Abra's project design incorporates cement paste backfill in the underground mine plan, with paste being prepared by an onsite pastefill plant utilising approximately 1/3 of plant tailings as raw material for the paste. In April 2019, the Company entered into an Option Agreement that secures the right to purchase an existing pastefill plant that meets the Project requirements. The intention is to exercise the right to purchase the pastefill plant at any time until late April 2020 and then have the paste plant refurbished and relocated to Abra for use.

During the financial year a primary ventilation fan was ordered for fabrication as a key long lead-time item for the underground mine development.

Final permitting

During the financial year, Galena made and continued to progress Works Approval submissions for construction of the mine, proposed processing plant and tailings storage facilities for Abra with the Western Australian Department of Water and Environmental Regulation ("DWER"). At the same time, Galena also continued discussions with the Western Australian Department of Mines, Industry Regulation and Safety ("DMIRS") regarding the Mining Proposal, Mine Closure Plan and Environmental Management System applications for Abra.

Subsequent to the financial year, Galena announced that all major DWER and DMIRS approvals were concluded (see Galena ASX announcement of 3 July 2019).

Commercial initiatives in support of Abra development – project financing

On 30 January 2019, Galena announced a transaction to bring in \$90 million in project equity for Abra from Toho. Then in April, the Company executed definitive agreements with Toho setting out the terms for Toho's investment of \$90 million in three tranches for a 40% ownership interest in Galena's previously wholly-owned subsidiary, AMPL (the "Toho Transaction"). Key relevant terms of the Toho Transaction include:

- **Investment and investment structure** – \$90 million total investment to be made via the subscription of new ordinary shares in AMPL such that Toho owns 40% of AMPL on completion of the full investment and Galena retains 60%.
- **Tranched payment** – \$20 million will be paid on initial closing of the transaction (for 8.89% of AMPL); \$10 million will be paid once Galena issues the DFS for Abra (for a further 4.44% of AMPL); and \$60 million will be paid once project financing debt for the Project has been confirmed (for a further 26.67% of AMPL, taking Toho's total ownership in AMPL to 40.00%).
- **Toho funding support** – Toho will assist AMPL to procure, by leveraging the attractive programmes available to it from its relationships with Japanese lenders, a contribution to project financing debt.
- **Repayment of historical shareholder loans to Galena** – As part of the Transaction, AMPL will repay \$10 million of historical shareholder loans back to Galena.
- **Off-take** – Galena and Toho will each enter into off-take agreements with AMPL to purchase their respective share of AMPL's high-grade high-value lead-silver concentrate on arms-length, benchmark terms. Each party will have rights to market and on-sell their respective share of purchased off-take.

Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

- During the financial year the first \$20 million tranche was received from Toho and subsequent to the financial year-end, the second \$10 million tranche was also received (see Galena ASX announcement of 2 August 2019).

During the financial year, the Company and AMPL continued to advance discussions with multiple banks with respect to the provision of project financing debt.

Near-Project exploration

During the financial year two drill holes were advanced within the greater Hyperion Prospect, which lies within E52/1455 (i.e. part of AMPL).

The first diamond core drill hole, HY003, was drilled approximately 1.4 kilometres to the west of the historic HY1 drill hole which intersected 6.05 metres at 9.86% lead in the equivalent stratigraphic position of Abra's Apron Zone. HY003 was targeting a gravity and magnetic anomaly that was interpreted as being a western extension to the main Hyperion Prospect which includes HY1. HY003 finished at 694 metres and did not intersect any significant mineralisation.

The second drill hole at Hyperion, HYRC002D is a diamond core extension of a 2017 RC pre-collar, HYRC002 which had finished at 218 metres. The diamond core tail finished at 670 metres. HYRC002D is approximately 400 metres west of HY1 and was also targeting a gravity and magnetic anomaly interpreted as being an extension of the main Hyperion Prospect. Noteworthy mineralisation, was intersected in the equivalent stratigraphic position of Abra's Apron Zone. This included 6.6 metres at 2.7% lead and 27g/t silver from 615.8 metres, including 0.3 metres at 17.8% lead and 112g/t silver from 620.6 metres.

The Hyperion Prospect remains open to the north, east and south and continues to warrant further drill testing.

JILAWARRA PROSPECTS

Galena's Jilawarra Prospects consist of Woodlands, Manganese Range and Quartzite Well, which are located between approximately 20-80 kilometres or further to the west of Abra and reside within three granted Exploration Licences, being: E52/1413; E52/3575 and E52/3630.

During the financial year, 3D inversion modelling of gravity and magnetic data at Woodlands and Manganese Range delineated strong anomalies at both locations. These anomalies are interpreted as being prospective for copper, gold, lead and silver and have yet to be tested with drilling.

CORPORATE

\$10 million strategic investment secured for Galena from Kingfisher Capital / Tim Roberts

During the financial year, Kingfisher Capital Pte Ltd ("**Kingfisher Capital**") (an investment vehicle of Tim Roberts) invested \$10 million into Galena in two tranches of \$5 million each at \$0.40/share. Each tranche also included the additional issue to Kingfisher Capital of 2.5 million unlisted options to acquire Galena shares (1.25 million with a strike price of \$0.50/share and 1.25 million with a strike price of \$0.60/share), with an expiry of four years from issuance. The first \$5 million tranche and combined issuance of shares and options in the Company was completed on 26 March 2019 and on 17 April 2019, the second and final \$5 million tranche and combined issuance of shares and options in the Company was completed.

Galena Mining Limited and Controlled Entities

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REVIEW OF OPERATIONS

Recruitment of key directors and executives

As part of its evolution towards construction and commissioning, Galena continued to evolve its board and management with the appointment of the highest calibre new directors and executives, including:

- **Appointment of Alex Molyneux as Managing Director / CEO** – The Company engaged Alex Molyneux as CEO / Managing Director, effective 1 September 2018. Mr Molyneux is an experienced metals and mining industry executive and financier. He recently completed three-years as CEO of Paladin Energy, one of the world's largest uranium companies, where he completed a US\$700M successful recapitalisation of the company including raising US\$115M in new capital and a re-listing on the ASX. Prior to Paladin Energy, Mr Molyneux spent approximately five-years with Ivanhoe Mines Group and Ivanhoe Energy in various leadership capacities including as CEO and Director of SouthGobi Resources (2009 – 2012). Mr Molyneux is well known for his breadth of experience in the mining industry and serves on a number of public company boards, including: Argosy Minerals, Metalla Royalty & Streaming, Tempus Resources and Azarga Metals. Prior to his mining industry executive and director roles, Mr Molyneux was Managing Director, Head of Metals and Mining Investment Banking, Asia Pacific for Citigroup. As a specialist resources investment banker, he spent approximately 10-years providing investment banking services to natural resources companies. Mr Molyneux holds a Bachelor Degree in Economics from Monash University. Ed Turner, Galena's previous CEO has remained with the Company in the capacity of General Manager, Geology and Exploration.
- **Appointment of Anthony (Tony) James as Non-Executive Director** – On 15 October 2018 the Company announced the appointment of Mr Anthony (Tony) James as a Non-Executive Director and the concurrent resignation of Non-Executive Director, Mr Oliver (Olly) Cairns. Mr James, a Mining Engineer, has considerable senior underground development operational and development experience. His experience includes having previously worked as Managing Director of various ASX-listed companies, including: Carbine Resources; Atherton Resources; and Mutiny Gold. At Atherton Resources he achieved a favourable outcome for shareholders which culminated in a cash takeover by Auctus Minerals. At Mutiny Gold he led the implementation of a revised development strategy for the Deflector copper-gold deposit in WA prior to the merger of that company with Doray Minerals. Mr James is currently a Non-Executive Director of both Apollo Consolidated and Blackham Resources. Prior to Mr James' Managing Director and Non-Executive Director roles, he held a number of senior executive positions with international gold producer Alacer Gold, including President of its Australian operations. He also played a key role in Avoca Resources' initial growth and success leading the feasibility, development and operation of its Higgsville Gold Mine.
- **Appointment of Craig Barnes as Chief Financial Officer** – 14 June 2019 Galena announced the appointment of Mr Barnes (BCom, BAcc (Hons), CA) is a chartered accountant with more than 20 years of experience in senior finance and financial management within the mining industry and previously the financial services industry. Before joining Galena, he held the position of Chief Financial Officer of Paladin Energy Limited since July 2014. Prior to that, Mr Barnes was the Chief Financial Officer of DRDGOLD Limited and its affiliated subsidiaries for more than 7-years. Mr Barnes has considerable relevant experience in bank debt project financing, treasury, mergers and acquisitions and implementation of accounting controls and systems. He also has relevant experience in participating in the management of producing mining assets held and developed through joint ventures.

Galena Mining Limited and Controlled Entities

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Year ended 30 June 2019	Year ended 30 June 2018 <i>Restated*</i>
		\$	\$
Revenue	2	1,421,908	61,855
Expenses			
Administration expenses		(352,495)	(193,257)
Share based payments	18	(873,191)	(489,220)
Consulting, promotion and marketing expenses		(731,097)	(85,000)
Corporate expenses		(78,776)	(138,155)
Compliance fees		(338,692)	(66,561)
Personnel expenses		(389,678)	(194,409)
Depreciation expense	8	(8,674)	(3,856)
Exploration and evaluation expenditure		(408,171)	(704,571)
Other expenses	3	(661,743)	(54,811)
Loss before income tax expense		(2,420,609)	(1,867,985)
Income tax expense	5	-	-
Loss after income tax for the year		(2,420,609)	(1,867,985)
Other comprehensive income net of income tax		-	-
Total comprehensive loss for the year		(2,420,609)	(1,867,985)
Loss for the year attributable to:			
Non-controlling interest		(35,882)	-
Members of the parent		(2,384,727)	-
		(2,420,609)	(1,867,985)
Loss per share			
Basic and diluted loss per share (cents per share)	4	(0.71)	(0.75)

The accompanying notes form part of these financial statements.

**Restated – Refer to Note 1(f) for details.*

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Galena Mining Limited and Controlled Entities

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$	2018 <i>Restated*</i> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	27,977,417	8,526,198
Trade and other receivables	7	772,112	331,689
Prepayments		141,955	98,863
TOTAL CURRENT ASSETS		28,891,484	8,956,750
NON-CURRENT ASSETS			
Plant and equipment	8	1,196,169	24,696
Exploration and evaluation expenditure	9	18,164,654	8,169,949
TOTAL NON-CURRENT ASSETS		19,360,823	8,194,645
TOTAL ASSETS		48,252,307	17,151,395
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	3,563,363	945,412
Provisions	11	48,034	15,771
TOTAL CURRENT LIABILITIES		3,611,397	961,183
TOTAL LIABILITIES		3,611,397	961,183
NET ASSETS		44,640,910	16,190,212
EQUITY			
Issued capital	12	28,591,025	18,085,201
Share-based payment reserve	13	1,064,807	699,324
Consolidation reserve	23	17,680,860	-
Accumulated losses		(4,979,040)	(2,594,313)
Parent interest		42,357,652	16,190,212
Non-controlling interest	23	2,283,258	-
TOTAL EQUITY		44,640,910	16,190,212

The accompanying notes form part of these financial statements.

*Restated – Refer to Note 1(f) for details.

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Galena Mining Limited and Controlled Entities

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital	Share-based payment reserve	Consolidation reserve	Accumulated losses	Non- controlling interest	Total
	\$	\$		\$	\$	\$
Balance at 1 July 2017	453,600	323,074	-	(726,328)	-	50,346
Loss for the year (Restated*)	-	-	-	(1,867,985)	-	(1,867,985)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,867,985)	-	(1,867,985)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the year	18,612,971	-	-	-	-	18,612,971
Share-based payments	-	376,250	-	-	-	376,250
Share issue costs	(981,370)	-	-	-	-	(981,370)
Balance at 30 June 2018 (Restated*)	18,085,201	699,324	-	(2,594,313)	-	16,190,212
Balance at 1 July 2018	18,085,201	699,324	-	(2,594,313)	-	16,190,212
Loss for the year	-	-	-	(2,384,727)	(35,882)	(2,420,609)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(2,384,727)	(35,882)	(2,420,609)
<i>Transactions with owners directly recorded in equity:</i>						
Shares issued during the year	10,507,708	-	-	-	-	10,507,708
Share-based payments	-	365,483	-	-	-	365,483
Share issue costs	(1,884)	-	-	-	-	(1,884)
Partial disposal of interest in subsidiary (Note 23)	-	-	17,680,860	-	2,319,140	20,000,000
Balance at 30 June 2019	28,591,025	1,064,807	17,680,860	(4,979,040)	2,283,258	44,640,910

The accompanying notes form part of these financial statements.

*Restated – Refer to Note 1(f) for details.

Galena Mining Limited and Controlled Entities

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,815,614)	(985,548)
Exploration and evaluation expenditure		(7,972,872)	(4,545,978)
Other income		1,221,544	-
Interest received		200,363	42,384
Interest paid		(171)	-
Net cash (used in) operating activities	15	(9,366,750)	(5,489,142)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,180,147)	(28,552)
Payment for security deposit		-	(45,000)
Proceeds from partial disposal of subsidiary		20,000,000	-
Net cash provided by (used in) investing activities		18,819,853	(73,552)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,000,000	15,000,001
Payment of transaction costs associated with issue of securities		(1,884)	(981,370)
Net cash provided by financing activities		9,998,116	14,018,631
Net increase in cash held		19,451,219	8,455,937
Cash and cash equivalents at beginning of financial period		8,526,198	70,261
Cash and cash equivalents at end of financial period	6	27,977,417	8,526,198

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Galena Mining Limited and its controlled entities (together referred to as the "Company" or the "Group" or the "Consolidated Entity"). Galena Mining is a public company, incorporated and domiciled in Australia. The Consolidated Entity or the Group refers to the Company and the entity controlled during the year and at the year end.

The financial statements were authorised for issue on 25th September 2019 by the directors of the Company. The directors have the power to amend and reissue the financial statements.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

a) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of \$2,420,609 and net cash outflows from operating activities of \$9,366,750. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company and Group to continue as a going concern.

The directors believe the Group is a going concern as they have appropriate plans to raise additional capital to fund forecasted activities.

Should the Company or the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company or Group be unable to continue as a going concern and meet its debts as and when they fall due.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b) Operating Segments

Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers. The Chief Operating Decision Maker is responsible for the allocation of resources to operating segments and assessing their performance.

c) Foreign Currency Translation

The financial statements are presented in Australian dollars, which is Galena Mining Limited's functional and presentation currency.

d) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

On 15 February 2019 the Directors resolved to revise the policy pertaining to AASB 6, Exploration for and Evaluation of Mineral Resources with retrospective effect, whereby all costs incurred in acquisition and evaluation activities would be expensed in the period in which they are incurred unless the expenditure related to an area that had either: (a) already demonstrated economic or development potential; or (b) was integrated with a license that had already demonstrated economic or development potential, considered part of the overall area of interest.

The Directors are of the view that this change in accounting policy provides a more conservative accounting approach.

In accordance with AASB 108, Accounting Policies, Changes in Accounting Estimates and Errors, this change in the application of AASB 6 requires a restatement of prior period comparatives.

Restatement of Statement of Profit or Loss and Other Comprehensive Income	\$
Reported loss for the year ended 30 June 2018	(1,214,076)
Retrospective adjustment – write off exploration expenditure	(653,909)
Restated loss for the year ended 30 June 2018	<u>(1,867,985)</u>

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

g) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instruments to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

h) Impairment of Assets

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

j) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

k) Fair Value Measurement

When an asset or liability, financial or non-financial is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either; in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

l) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Galena Mining Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares, outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

n) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

p) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

q) Borrowing Costs

All borrowing costs are recognised as expense in the period in which they are incurred.

r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

s) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Galena Mining Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Exploration and Evaluation Expenditure

Exploration and evaluation costs are expensed in the period in which they are incurred unless the expenditure related to an area that had either: (a) already demonstrated economic or development potential; or (b) was integrated with a license that had already demonstrated economic or development potential, considered part of the overall area of interest.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Significant judgement may be required in determining the valuation technique adopted. The fair value of the options issued in the current period are determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 17. The assumptions detailed in this note are also judgemental.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model or in the case of share grants, the fair value of an ordinary share is utilised.

For instruments issued with market-based conditions, alternative valuation methodologies would be adopted.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

u) New accounting standards for application in the current period

In the year ended 30 June 2019, the Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the financial performance and position of the Consolidated Entity from the adoption of these Accounting Standards

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

v) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, is set out below.

Reference/ Title	Summary	Application date of standard	Application date for Group
AASB 16 Leases	AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change.	1 January 2019	1 July 2019
Narrow scope amendments to IFRS 9 and IAS 28 (AASB 2017-7)	The IASB has issued amendments to IFRS 9 Financial Instruments and to IAS 28 Investments in Associates and Joint Ventures to aid with the implementation of IFRS 9. Equivalent amendments to the respective Australian Standards are expected to be issued shortly.	1 January 2019	1 July 2019
Annual Improvements 2015– 2017 Cycle (AASB 2018-1)	This standard makes amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.	1 January 2019	1 July 2019
Amendments to AASB 19 – plan amendment, curtailment or settlement (AASB 2018 -2)	The AASB has issued amendments to the guidance in AASB 119 Employee Benefits in connection with accounting for plan amendments, curtailments and settlements.	1 January 2019	1 July 2019
IASB amends the definition of material	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and consequential amendments to other IFRSs which: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify when information is material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020	1 July 2020
IASB amends the definition of a business (IFRS 3)	The IASB has issued amendments to the guidance in IFRS 3 Business Combinations that revises the definition of a business.	1 January 2020	1 July 2020
Sale or contribution of assets between an investor and its associate or joint venture (AASB 2014-10)	The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting depends on whether the contributed assets constitute a business or an asset.	1 January 2022	1 July 2022

The Group has considered what impact AASB 16 Leases will have on the financial statements, when applied next year, and have concluded that they will have no impact the Group currently has minimal leases and are considered immaterial

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NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	\$	\$
NOTE 2: REVENUE		
Interest received	200,363	61,855
Other income	1,221,545	-
Total Revenue	1,421,908	61,855

NOTE 3: OTHER EXPENSES		
Bank fees	1,859	3,211
Legal expenses	379,336	34,565
Plan purchase option fee	250,000	-
Other expenses	30,548	17,035
Total Other Expenses	661,743	54,811

	2019	2018
	\$	\$
	Cents per share	Cents per share
NOTE 4: EARNINGS PER SHARE		
Basic and diluted loss per share	(0.71)	(0.75)

The loss and weighted average number of ordinary shares used in this calculation of basic and diluted loss per share are as follows:

	\$	\$
Loss	(2,420,609)	(1,867,985)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (post share split)	342,717,944	249,341,192

As the Company is in a loss position the options outstanding at 30 June 2019 have no dilutive effects on the earnings per share calculation.

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NOTES TO THE FINANCIAL STATEMENTS

	2019 \$	2018 \$
NOTE 5: INCOME TAX EXPENSE		
a. Recognised in the income statement:		
Current tax	-	-
Deferred tax	-	-
Income tax as reported in the statement of comprehensive income	-	-
b. Reconciliation of income tax expense to prima facie tax payable:		
Loss from ordinary activities before income tax expense	(2,420,609)	(1,867,985)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(665,667)	(513,696)
Increase in income tax due to:		
	(335,925)	
- Non-deductible expenses	85,705	136,003
- Changes in unrecognised temporary differences	(2,255,928)	(622,354)
- Unused tax losses not recognised	3,171,815	1,000,047
Income tax attributable to operating loss	-	-
The following deferred tax balances have not been recognised:		
c. Deferred tax assets not recognised		
Carry forward revenue losses	15,619,767	12,693,781
Accruals	24,107	8,320
Capital raising costs	183,457	247,576
Net deferred tax asset	15,827,331	12,949,677
The carry forward revenue losses are only available for offset subject to Galena Mining Limited and Abra Mining Pty Ltd satisfying the carried-forward loss tests for deductibility such as the Continuity of Ownership Test and the Same Business Test.		
d. Deferred tax liabilities not recognised		
Exploration expenditure	4,939,724	1,464,061
Interest receivable	58,425	5,241
Net deferred tax liability	4,998,149	1,469,302

Potential deferred tax assets attributable to tax losses and other temporary differences have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the expenditure to be realised; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the expenditure.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CASH AND CASH EQUIVALENTS	2019	2018
	\$	\$
Cash at bank	2,854,715	1,526,198
Term deposits at call	25,122,702	7,000,000
Total Cash and Cash Equivalents	27,977,417	8,526,198

Reconciliation to cash and cash equivalents at the end of the financial year

The above figure is reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balance as above	27,977,417	8,526,198
Balance as per statement of cash flows	27,977,417	8,526,198

NOTE 7: TRADE AND OTHER RECEIVABLES

Current

GST receivable	626,647	267,218
Other trade receivables	70,312	19,471
Credit Card guarantee	45,000	45,000
Rent guarantee	30,153	-
Total Trade and Other Receivables	772,112	331,689

NOTE 8: PLANT AND EQUIPMENT

Motor Vehicle

At cost	8,018	5,000
Accumulated depreciation	(2,671)	(915)
	5,347	4,085

Computer & Office Equipment

At cost	29,371	18,184
Accumulated depreciation	(9,474)	(2,614)
	19,897	15,570

Equipment and Tools

At cost	2,350	5,368
Accumulated depreciation	(385)	(327)
	1,965	5,041

Construction work in progress at cost

	1,168,960	-
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Total Plant and Equipment	1,196,169	24,696
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE	2019	2018
	\$	\$
Exploration expenditure capitalised		
- Exploration and evaluation asset acquisition	3,674,165	3,500,000
- Exploration and evaluation costs incurred	14,490,489	4,669,949
	18,164,654	8,169,949

A reconciliation of the carrying amount of exploration and evaluation expenditure is set out below:

- Carrying amount at the beginning of the year	8,169,949	-
- Costs capitalised during the year	9,820,540	8,823,858
- Change in accounting policy (Note 1(f))	-	(653,909)
- Acquisition of Abra tenements	174,165	-
Carrying amount at the end of the year	18,164,654	8,169,949

NOTE 10: TRADE AND OTHER PAYABLES

Current

Sundry payables and accrued expenses	3,563,363	945,412
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Trade creditors are expected to be paid on 30-day terms.

NOTE 11: PROVISIONS

Current

Provisions for employee entitlements	48,034	15,771
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: ISSUED CAPITAL

	2019 No.	2019 \$	2018 No.	2018 \$
Movement in ordinary shares				
Balance at beginning of period	336,564,520	18,085,201	8,100,000	453,600
Project acquisition shares issued on 30 August 2017			17,500,000	3,500,000
IPO shares issued on 30 August 2017			30,000,000	6,000,000
Share split on 1:5 basis on 23 March 2018			222,400,000	-
Share-based payments issued on 3 April 2018			500,000	112,970
Placement shares issued on 26 April 2018			58,064,520	9,000,001
Share-based payments issued on 9 October 2018	458,333	80,208		
Placement shares issued on 26 March 2019	12,500,000	5,000,000		
Placement shares issued on 17 April 2019	12,500,000	5,000,000		
Share-based payments issued on 2 May 2019	2,500,000	427,500		
Share issue costs		(1,884)		(981,370)
Balance at reporting date	364,522,853	28,591,025	336,564,520	18,085,201

Terms and conditions of issued capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The fully paid ordinary shares have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital risk management

The Group objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The Group is not exposed to externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: ISSUED CAPITAL (continued)

Capital risk management (continued)

	2019	2018
	\$	\$
Cash and cash equivalents	27,977,417	8,526,198
Trade and other receivables	772,112	331,689
Trade and other payables	(3,611,397)	(961,183)
Working capital position	25,138,132	7,896,704

NOTE 13: SHARE-BASED PAYMENT RESERVE

The share-based payments reserves record items recognised as expenses on valuation of employees and consultants options.

	2019	2018
	\$	\$
Opening balance 1 July	699,324	323,074
Share-based payments vesting expense	792,983	376,250
Share-based payments issued	(427,500)	-
Closing balance 30 June	1,064,807	699,324

Refer to Note 18 for valuation technique and assumptions.

NOTE 14: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

	2019	2018
	\$	\$
— auditing or reviewing the financial report of consolidated group	61,585	36,950
— reviewing the financial report of subsidiary	6,000	-
— preparation of income tax	2,750	2,750
	70,335	39,700

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: CASHFLOW FROM OPERATING ACTIVITIES

Reconciliation of Cash Flow from Operations with Loss after Income Tax	2019	2018
	\$	\$
Loss after income tax	(2,420,609)	(1,867,985)
Non-cash flows in loss:		
Share-based payments	873,191	489,220
Depreciation	8,674	3,856
Other non-cash items	18,338	(15,771)
	<u>(1,520,406)</u>	<u>(1,390,680)</u>
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(440,423)	(279,902)
(Increase)/decrease in prepayments	(43,092)	(98,863)
(Increase)/decrease in exploration expenditure	(9,995,420)	(4,669,949)
Increase/(decrease) in trade payables and accruals	2,600,328	934,481
Increase/(decrease) in provisions	32,263	15,771
Cashflow from operating activities	<u>(9,366,750)</u>	<u>(5,489,142)</u>

NOTE 16: TRANSACTIONS WITH RELATED ENTITIES

Key Management Personnel

The totals of remuneration paid or due to be paid to the KMP of the Company during the period are as follows:

	2019	2018
	\$	\$
Short-term employment benefits	965,445	366,900
Post-employment benefits	46,929	34,853
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	791,516	489,220
Total Remuneration paid or due to be paid	<u>1,803,890</u>	<u>890,973</u>

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

- In 2018, Bloomgold Resources Pty Ltd, a company of which Mr Morrison is a director, and Silverlight Holdings Pty Ltd, a company of which Mr Cairns is a director, were issued total of 87,500,000 shares (post 1:5 share split) for the consideration value of \$3,500,000 Galena's acquisition of Abra Mining Pty Ltd.
- In 2018, EJ Turner Consulting, a company of which the CEO, Mr Edward Turner is a director, received \$26,560 for Geological Services for work performed on Abra Project (2018: \$26,560).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: EVENTS AFTER REPORTING PERIOD

- On 3 July 2019, the Company announced that its subsidiary AMPL had received all of the major approvals required for construction, mining and production at the Abra Base Metals Project.
- On 22 July 2019, the Company released a definitive feasibility study (“DFS”) for its Abra Base Metals Project.
- On 2 August 2019, the Company announced that its subsidiary, AMPL, received a cash investment tranche of \$10M from Toho and issued additional shares to Toho’s wholly-owned subsidiary CBHWA in accordance with the Investment Agreement such that Toho (via CBHWA) now owns 13.33% of AMPL, with Galena currently retaining the remaining 86.67%.
- On 13 August 2019, the Company issued 2,000,000 performance rights as part of the remuneration package for the Chief Financial Officer, Mr Barnes, which will convert into shares upon the achievement of various milestones expiring on 12 August 2024.
- On 14 August 2019, the Company successfully concluded the development drilling program for the Abra Base Metals Project with a total of 43 diamond core drill-holes (18,255 metres) completed between April and August 2019. New drilling represents a more than 30% increase in total drilling associated with the project.
- On 6 September 2019, the Company converted 1,000,000 performance rights to fully paid ordinary shares. The relevant tranche of performance rights is part of the remuneration package for the Managing Director/Chief Executive Officer, Mr Molyneux, and vested on 1 September 2019.
- On 9 September 2019, Warburton Portfolio Pty Ltd acquired 30,400,000 fully paid shares in the Company via an off-market purchase from certain individual holders, including entities associated with three of the Company’s directors: Mr Byass, Mr Downes and Mr Morrison. In addition, Mr Byass and Mr Downes exercised in aggregate 10,100,000 options in order to maintain their overall pro-rata shareholding levels in the Company.

No other matter or circumstance has arisen since the end of audited period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

NOTE 18: SHARE-BASED PAYMENTS

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Options issued on 30 August 2017 exercisable at \$0.08* on or before 30 June 2021 (i)	1,250,000*	30/08/2017	0.0226	28,250
Options issued on 7 February 2018 exercisable at \$0.30* on or before 6 February 2021 (ii)	5,000,000*	07/02/2018	0.0696	348,000
Total value at 30 June 2018				376,250
Performance Rights issued on 9 November 2018 exercisable on or before 9 November 2023 (iii)	16,500,000	09/11/2018	0.0846	1,395,500
Share Appreciation Rights issued on 13 February 2019 to employees exercisable on or before 21 January 2024 (iv)	1,260,000	09/11/2018	0.1095	137,907
Total value at 30 June 2019				1,533,407

* The number and exercise price of the options granted are on a post 1:5 share split basis.

No options have expired or been exercised and therefore, the total options on issue at 30 June 2019 represent all those issued since incorporation noted above – 34,750,000 on a post-split basis.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: SHARE BASED PAYMENTS (continued)

The below inputs have been adjusted to ensure they are on a post-split basis.

- (i) 1,250,000* unlisted Options issued as part of employment agreement and to Promoters have been calculated using Black-Scholes option pricing model with the following inputs:

	Options Granted on 30 August 2017
Expected volatility (%)	100
Risk free interest rate (%)	2.08
Weighted average expected life of options (years)	3.84
Expected dividends	Nil
Option exercise price (\$)	0.08
Share price at grant date (\$)	0.04
Fair value of option (\$)	0.0226
Expiry date	30 June 2021

- (ii) 5,000,000* unlisted Options issued as part of employment agreement have been calculated using Black-Scholes option pricing model with the following inputs:

	Options Granted on 7 February 2018
Expected volatility (%)	51
Risk free interest rate (%)	2.12
Weighted average expected life of options (years)	3
Expected dividends	Nil
Option exercise price (\$)	0.30
Share price at grant date (\$)	0.24
Fair value of option (\$)	0.0696
Expiry date	30 June 2021

Both tranches were deemed to vest immediately as there are no vesting conditions.

- (iii) 16,500,000 Performance Rights issued as part of engagement agreement have been calculated using Black-Scholes option pricing model with the following inputs:

	Performance Rights Granted on 9 November 2018
Expected volatility (%)	90
Risk free interest rate (%)	2.02
Weighted average expected life of options (years)	4.47
Expected dividends	Nil
Option exercise price (\$)	Nil
Share price at grant date (\$)	0.19
Fair value of option (\$)	0.0846
Expiry date	9 November 2023

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: SHARE BASED PAYMENTS (continued)

- (iv) 1,260,000 Share Appreciation Rights issued as part of employment agreement have been calculated using Black-Scholes option pricing model with the following inputs:

	Share Appreciation Rights Granted on 13 February 2019
Expected volatility (%)	70
Risk free interest rate (%)	1.94
Weighted average expected life of options (years)	1.75
Expected dividends	Nil
Option exercise price (\$)	0.17
Share price at grant date (\$)	0.19
Fair value of option (\$)	0.1095
Expiry date	21 January 2024

Reconciliation of the number of Options, Performance Rights and Share Appreciation Rights

	2019	2018
	Number	Number
Opening balance at 1 July	34,750,000	5,700,000
Issued	22,760,000	1,250,000
Expired	-	-
Exercised	(2,500,000)	-
Other changes - Post-share split (1:5 basis)	-	27,800,000
Closing balance 30 June	55,010,000	34,750,000

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

In the opinion of the directors there were no contingent assets or liabilities as at 30 June 2019.

NOTE 20: CAPITAL AND OTHER COMMITMENTS

	30 June	30 June
	2019	2018
	\$	\$
Expenditure commitments for Abra Project*		
Within one year	4,515,289	141,921
Between 1 and 5 years	652,000	315,014
	5,167,289	456,935

* Native title compensation arrangements were agreed by AMPL in May 2019 and expected payments under this agreement have been included in the above expenditure commitments for the Abra Project.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: CAPITAL AND OTHER COMMITMENTS (*continued*)

	30 June 2019	30 June 2018
Office rental commitments	\$	\$
Within one year	75,466	-
Between 1 and 5 years	157,792	-
	233,258	-

Upon adoption of AASB16 Leases, the consolidated entities' total assets and liabilities will increase by \$191,081.

NOTE 21: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Since the acquisition of the Abra Project, the Company manages primarily on the basis of one geographical segment being Australia, and two business segments being mineral exploration and treasury.

NOTE 22: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including market risk, credit risk and liquidity risk).

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The company does not have any collateral. Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All the Company's surplus funds are invested with AA Rated financial institutions.

The Company does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The responsibility of liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The Company's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: FINANCIAL RISK MANAGEMENT *(continued)*

The table below reflects an undiscounted contractual maturity analysis for financial liabilities and receivables.

Financial liability and financial asset maturity analysis

2019	Weighted Average Interest Rate	1 year or less \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Total \$
Non Derivatives					
<i>Financial Assets</i>					
Cash and Cash Equivalents	1.84%	27,977,417	-	-	27,977,417
Trade and Other Receivables		696,959	-	-	696,959
<i>Financial Liabilities</i>					
Trade Payables		(3,563,363)	-	-	(3,563,363)
Net Financial Assets		25,111,013	-	-	25,111,013

2018	Weighted Average Interest Rate	1 year or less \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Total \$
Non Derivatives					
<i>Financial Assets</i>					
Cash and Cash Equivalents	2.18%	8,526,198	-	-	8,526,198
Trade and Other Receivables	-	286,689	-	-	286,689
<i>Financial Liabilities</i>					
Trade Payables	-	(945,412)	-	-	(945,412)
Net Financial Assets		7,867,475	-	-	7,867,475

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

The Company manages interest rate risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Interest rate sensitivity analysis

The following table illustrates sensitivities to the consolidated entity's exposures to changes in interest rates and equity prices. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2019		
+/- 1% interest rate	+/- 279,774	+/- 279,774
Year ended 30 June 2018		
+/- 1% interest rate	+/- 85,262	+/- 85,262

Fair value of financial instruments

Unless otherwise stated, the carrying amount of financial instruments reflects their fair value.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: GROUP INFORMATION

Interest in controlled entities

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiary in accordance with the accounting policy described in note 1:

Name	Country of Incorporation	Class of share	Equity holding	
			30 June 2019	30 June 2018
Abra Mining Pty Ltd	Australia	Ordinary	91.11%	100%
Metal Range Ltd	Australia (i)	Ordinary	100%	100%
MR1 Holding Pty Ltd	Australia (i)	Ordinary	100% (ii)	100% (ii)

(i) Both entities have no activity.

(ii) MR1 Holding is a wholly owned subsidiary of Metal Range Limited only.

Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Statement of financial position	2019	2018
	\$	\$
Assets		
Current assets	9,986,604	8,745,464
Non-current assets	15,042,195	75,598
Total assets	25,028,799	8,821,062
Liabilities		
Current liabilities	213,695	184,786
Non-current liabilities	-	-
Total liabilities	213,695	184,786
Net assets	24,815,104	8,636,276

Equity	2019	2018
Issued capital	28,163,525	18,085,201
Reserves	1,492,307	699,324
Accumulated losses	(4,840,728)	(10,148,249)
Total equity	24,815,104	8,636,276

Statement of profit or loss and other comprehensive income	2019	2018
	\$	\$
Loss for the year	(2,263,566)	(942,921)
Other comprehensive income	-	-
Total comprehensive income	(2,263,566)	(942,921)

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Galena Mining Limited and Controlled Entities

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: GROUP INFORMATION *(continued)*

Proportion of equity interest held by non-controlling entity

Name	Country of Incorporation	Non-controlling interest	
		30 June 2019	30 June 2018
Abra Mining Pty Ltd	Australia	8.89%	-

On 12 April 2019, the Company completed a transaction with Toho to invest \$90,000,000 for a 40% joint-venture investment in AMPL. AMPL received the first tranche payment of \$20,000,000 and issued new shares to Toho's wholly-owned subsidiary, CBHWA, such that AMPL is owned 8.89% by CBHWA and 91.11% by Galena. The transaction has been accounted for as an equity transaction with a non-controlling interest, resulting in the following:

	\$
Proceeds from the issue of new shares in AMPL to CBHWA	20,000,000
Net assets attributable to non-controlling interest	(2,319,140)
Increase in equity attributable to parent (represented by increase in consolidation reserve)	<u>17,680,860</u>

AMPL's summarised statement of financial position	2019	2018
	\$	\$
Current assets	18,842,824	211,365
Non-current assets	15,464,488	4,638,023
Current liabilities	(3,397,702)	(795,373)
Non-current liabilities	(5,226,162)	(4,724,996)
Total equity	25,683,448	(670,981)
Attributable to:		
Equity holders of parent	23,400,189	(670,981)
Non-controlling interest	2,283,259	-

AMPL's summarised statement of profit or loss and other comprehensive income	2019	2018
	\$	\$
Revenue	1,313,742	-
Expenses	(816,876)	(671,060)
Loss for the year	(496,866)	(671,060)
Other comprehensive income	-	-
Total comprehensive income	(496,866)	(671,060)
Attributable to non-controlling interest	(35,882)	-
Dividends paid to non-controlling interest	-	-

NOTE 24: ASSET ACQUISITION

The acquisition of AMPL in 2018 was determined to be an asset acquisition as AMPL did not constitute a business under Accounting Standards. The excess consideration paid over the net assets of AMPL totalling \$3,500,000 becomes exploration expenditure on consolidation per Note 9.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Galena Mining Limited, the directors of the company declare that:

1. the financial statements, notes and the remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including International Financial Reporting Standards) and the Corporations Regulations 2001;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Adrian Byass
Chairman

Perth, 25 September 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALENA MINING LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Galena Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Galena Mining Limited is in accordance with the Corporations Act 2001 including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Capitalised Exploration and Evaluation Expenditure

Why significant

As at 30 June 2019 the carrying value of capitalised exploration and evaluation expenditure was \$18,164,654 (2018: \$8,823,858), as disclosed in Note 9. This represents 37.6% of the total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of capitalised exploration and evaluation expenditure is outlined in Note 1(f). Estimates and judgments in relation to capitalised exploration and evaluation expenditure is detailed at Note 1(t).

Significant judgement is required:

- In determining whether facts and circumstances indicate that the capitalised exploration and evaluation expenditure should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources; and
- In determining the treatment of capitalised exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
 - whether the particular areas of interest meet the recognition conditions for an asset; and
 - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review to identify impairment triggers in accordance with AASB 6 including:
 - Confirming that rights of tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
 - Obtaining representations from directors in relation to the status of the exploration and evaluation project for the area of interest and confirming that a decision had been made to continue activities; and
 - Obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing budgeted expenditure and related work programmes;
- Testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- Assessing the appropriateness of the related disclosures in Note 1(f), Note 1(t) and Note 9.

Valuation of Share Based Payments

Why significant

During the year the consolidated entity issued 16,500,000 performance rights and 1,260,000 share appreciation rights as disclosed in Note 18.

The valuation of share based payments requires judgement in determining the assumptions and inputs used in the valuation model. These assumptions and inputs are further described in Note 1 (t) and Note 18 to the financial report.

How our audit addressed the key audit matter

Our work included, but was not limited to:

- Reviewing the key inputs used to calculate the value of share based payments including expected volatility, risk free interest rate, strike price, share price at grant date and expiry date of the right or option;
- Performing recalculations of the valuation based on the consolidated entity's inputs.

We also assessed the appropriateness of the note disclosures Note 1 (t) and Note 18.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

Opinion

In our opinion, the Remuneration Report of Galena Mining Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF Perth

PKF PERTH

SIMON FERMANIS
PARTNER

25 SEPTEMBER 2019
WEST PERTH,
WESTERN AUSTRALIA

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Galena Mining Limited and Controlled Entities

ABN 63 616 317 778

SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only. The information is current as at 17 September 2019.

1. Shareholding

a. Distribution of Shareholders

- (i) *Ordinary share capital*
- 375,622,853 fully paid shares held by 848 shareholders. All issued ordinary share carry one vote per share and carry the rights to dividends.

Category (size of holding)	Class of Equity Security	
	Number of Holders	Fully Paid Ordinary Shares
1 - 1,000	32	3,456
1,001 – 5,000	149	443,088
5,001 – 10,000	110	826,971
10,001 – 100,000	365	14,959,158
100,001 – and over	192	359,390,180
	848	375,622,853

- b. The number of shareholdings held in less than marketable parcels is 35.
- c. The Company had the following substantial shareholders listed in the holding company's register at the date of this report.

Fully Paid Ordinary Shares

Holder	Number	%
Bloomgold Resources Pty Ltd	66,250,000	17.64
Citicorp Nominees Pty Ltd	43,206,222	11.50
Warburton Portfolio Pty Ltd	30,400,000	8.09
Brispot Nominees Pty Ltd	22,963,884	6.11

Unlisted Options exercisable at \$0.08 on 30 June 2021

Holder	Number	%
Silverlight Holdings Pty Ltd	5,000,000	38.76
Valiant Equity Management Pty Ltd	2,450,000	18.99
Kiandra Nominees Pty Ltd	2,450,000	18.99
Edward Turner	1,250,000	9.69

Unlisted Options exercisable at \$0.06 on 30 June 2020

Holder	Number	%
Silverlight Holdings Pty Ltd	2,500,000	37.04
Edward Turner	1,250,000	18.52
Rebecca Jane Orr	1,250,000	18.52
Lake Springs Pty Ltd	1,250,000	18.52

Galena Mining Limited and Controlled Entities

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SHAREHOLDER INFORMATION

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest holders of quoted equity securities (fully paid ordinary shares)

	Name	Number Held	Percentage %
1.	Bloomgold Resources Pty Ltd	66,250,000	17.64
2.	Citicorp Nominees Pty Ltd	43,206,222	11.50
3.	Warburton Portfolio Pty Ltd	30,400,000	8.09
4.	Brispot Nominees Pty Ltd <House Head Nominees A/C>	22,963,884	6.11
5.	CS Fourth Nominees Pty Ltd < HSBC Custody Nominees A/C>	16,540,053	4.40
6.	UBS Nominees Pty Ltd	12,621,371	3.36
7.	HSBC Custody Nominees Australia Ltd	10,920,757	2.91
8.	Fiona Van Den Berg	9,529,526	2.54
9.	Zerrin Inv Pty Ltd	8,900,000	2.37
10.	Connor Michael Maloney	8,000,000	2.13
11.	Kiandra Nominees Pty Ltd	7,500,000	2.00
12.	Warbont Nominees Pty Ltd	7,314,211	1.95
13.	Valiant Equity Management Pty Ltd	7,000,000	1.86
14.	Tubechangers Pty Ltd <King Family A/C>	4,857,975	1.29
15.	Silverlight Holdings Pty Ltd	4,450,000	1.18
16.	Carrick Durrant Ryan <CD & RV Ryan Fam N>	3,963,119	1.06
17.	Molyneux Alexander Alan	3,500,000	0.93
18.	Grasmere Nominees Pty Ltd	3,000,000	0.80
19.	Navigator Australia Ltd <MLC Inv Sett A/C>	2,750,000	0.73
20.	Valiant Equity Management Pty Ltd <Byass Family A/C>	2,500,000	0.67
20.	Kiandra Nominees Pty Ltd <JK Downes Family A/C>	2,500,000	0.67
20.	PCAS Australia Pty Ltd <PCAS Inv A/C>	2,500,000	0.67
		281,167,118	74.86

2. The Name of the Company Secretary is Mr Stephen Brockhurst.
3. The address of the registered office and principal place of business in Australia is Level 11, 216 St Georges Terrace, Perth WA 6000. Telephone (08) 9481 0389.
4. Registers of securities are held at the following address:
Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

Galena Mining Limited and Controlled Entities

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SHAREHOLDER INFORMATION

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on the Australian Securities Exchange Limited.

6. **Restricted Securities**

The Company has the following restricted securities on issue as at the date of this report.

- 75,100,000 fully paid ordinary shares escrowed for 12 months from 9 September 2019.

7. **Unquoted Securities**

The Company has the following unquoted securities on issue as at the date of this report

- 6,750,000 options exercisable at \$0.06 on or before 30 June 2020
- 5,000,000 options exercisable at \$0.30 on or before 6 February 2021
- 12,900,000 options exercisable at \$0.08 on or before 30 June 2021
- 1,250,000 options exercisable at \$0.50 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.60 on or before 26 March 2023;
- 1,250,000 options exercisable at \$0.50 on or before 17 April 2023;
- 1,250,000 options exercisable at \$0.60 on or before 17 April 2023;
- 13,000,000 performance rights expiring 9 November 2023;
- 2,000,000 performance rights expiring 12 August 2024;
- 1,260,000 share appreciation rights exercisable at \$0.17 on or before 21 January 2024.

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Galena Mining Limited and Controlled Entities

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

Use of Funds

Between the date of listing on ASX and the date of this report the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in the Prospectus dated May 2017.

Schedule of Tenements

Tenement	Project	Location	Registered holder	% Interest
E52/1413	Jillawarra	WA	Abra Mining Pty Ltd	100%
E52/1455	Mulgul	WA	Abra Mining Pty Ltd	100%
E52/3575	Jillawarra	WA	Galena Mining Limited	100%
E52/3581	Jillawarra	WA	Galena Mining Limited	-*
E52/3630	Mulgul	WA	Galena Mining Limited	100%
G52/0286	Camp	WA	Abra Mining Pty Ltd	100%
G52/0292	Mulgul	WA	Abra Mining Pty Ltd	100%
L52/0121	Airstrip	WA	Abra Mining Pty Ltd	100%
M52/0776	Mulgul	WA	Abra Mining Pty Ltd	100%
L52/0198	Jillawarra	WA	Abra Mining Pty Ltd	100%
L52/0194	Mulgul	WA	Abra Mining Pty Ltd	100%
L52/0205	Teano	WA	Abra Mining Pty Ltd	-*
L52/0206	Erivilla	WA	Abra Mining Pty Ltd	-*
L52/207	Teano	WA	Abra Mining Pty Ltd	100%
L52/0210	Teano	WA	Abra Mining Pty Ltd	-*

*Application only

The Company's interest in the Abra Mining Pty Ltd tenements is held by virtue of its 91.11% equity holding in Abra Mining Pty Ltd which in turn has a 100% interest in the tenements.